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SUBJECT: NICARAGUA'S PREPARATIONS FOR NEGOTIATIONS WITH  
USTR ON A CAFTA REFORM PACKAGE

REF: STATE 2910

11. (SBU) Summary: Vice Minister of Development, Industry and Trade (MIFIC), Julio Teran, expressed enthusiasm and high expectations about upcoming discussions with USTR on legal and regulatory reforms required to meet CAFTA obligations, tentatively scheduled for next week. Teran reiterated throughout a January 5 meeting with Econoff the political necessity of completing the CAFTA package as quickly as possible, to take advantage of a legislative climate that he perceived as favorable in the National Assembly. In order to meet his stated timeline for introducing a legislative package in January, Teran understood that the GON would have to demonstrate flexibility. Teran expressed concern about three factors that might upset his time-line: first, any local perceptions that legal or regulatory reforms exceed treaty obligations, second, the addition of new issues during upcoming negotiations with USTR, and third, the continued delay of a Nicaraguan meat and poultry inspection audit required before the GON recognizes as equivalent the USDA meat and poultry inspection system. End Summary.

12. (SBU) Teran illustrated the flexibility of the GON negotiating posture on tariff-rate quotas (TRQs) and IP protections. With respect to the transparent and nondiscriminatory administration of TRQs, Teran stated that Nicaragua was prepared to accept a "formulation similar to what USTR negotiated with El Salvador." Teran also expressed optimism about MIFIC's efforts to encourage local advocates on IP protections, adding that the involvement of Nicaraguan artists in MIFIC's public affairs and legislative strategies would provide political cover for the acceptance of more robust enforcement measures. He mentioned a breakfast meeting with leadership of the Superior Council of Private Enterprise (COSEP), and expressed satisfaction that leading business chambers were expected to accept, and lobby for, Nicaragua's package of CAFTA reforms.

13. (SBU) Teran's concerns about accepting the USDA's meat and poultry inspection system were not based on substantive issues (he admitted to little knowledge of the issue) but on the procedural need for USDA counterparts at the Nicaraguan Ministry of Agriculture and Forestry (MAGFOR) to complete an audit of the USDA inspection system at the earliest possible opportunity. Teran explained somewhat sheepishly that MAGFOR apparently lacked the funds to send its audit team to the U.S., indicated that MAGFOR had requested MIFIC's financial support for the audit, and solicited Econoff for USG support

for the visit. Teran expected (unrealistically) that the MAGFOR inspection audit could be organized by next week, so that MIFIC might benefit from the MAGFOR assessment during its discussions with USTR.

14. (SBU) FAS has already supported MAGFOR's preparations for the audit inspection by providing model schedules that MAGFOR might apply to its upcoming trip. San Jose FAS Attache informed Econoff on January 5 that she is coordinating with Washington counterparts to identify funds to support the MAGFOR audit and is optimistic that funds can be found. Given the pressing time-frame for CAFTA implementation, any MAGFOR inspection will necessarily be abbreviated. Attache will encourage MAGFOR to prepare quickly for meetings and site visits over a period of four to five days during January. The expected result of such an audit would be GON acceptance of shipments from any federally-inspected plant. According to FAS, any special certification statements (generally blank on shipment certificates) must also be addressed. (Comment: MAGFOR appears unaware of the urgent need to complete an inspection audit expeditiously. In coordination with FAS, Post will share the good news about possible USG financial support for the MAGFOR visit with MIFIC, along with the caveat that the audit must be both abbreviated and comprehensive in its conclusions about the USDA inspection system, so that shipments from any U.S. plant are covered. In this way, it is hoped that MIFIC can stimulate MAGFOR to quick and decisive actions on meat and poultry equivalency. End Comment.)

15. (U) Vice Minister Teran expects to travel to Washington on Sunday, January 8 as head of a delegation of five GON officials, including MIFIC Director of Intellectual Property Ambrosia Lezama, MIFIC Legal Advisor Christian Martinez,

Manuel Mayorga (customs/market access issues) and Pablo de la Roca (telecommunications issues).  
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